

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2012**



Dave Yost • Auditor of State

Board of Directors
Warren County Port Authority
406 Justice Drive Suite 305
Lebanon, OH 45036

We have reviewed the *Independent Auditor's Report* of the Warren County Port Authority, Warren County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Warren County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 10, 2014

This page intentionally left blank.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1/2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3/6
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE BASIC FINANCIAL STATEMENTS	11/20

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Warren County Port Authority
Warren County, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Warren County Port Authority (the Port Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Warren County Port Authority as of December 31, 2012, and the respective changes in its financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during the year ended December 31, 2012, the Port Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the adoption of GASB No. 65, beginning net position was restated. We did not modify our opinion regarding this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
July 28, 2014

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

The discussion and analysis of the Warren County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2012 are as follows:

- 2012 provided the Port Authority with \$47,842 (up from \$40,851 for fiscal year 2011) in administrative fees from projects. It should be noted that the \$50,000 fee on the VH Monroe project is consolidated as part of the single fund GAAP reporting.
- The operating ending cash and cash equivalents balance was \$123,969, which is slightly higher than the 2011 ending balance of \$123,252.
- Operating expenses were \$178,115, which were significantly greater than operating revenues but includes project legal fees that should be reimbursed once certain projects are completed.
- The VH Monroe Special Assessment and Cincinnati Premium Outlets projects reported a combined \$1,029,567 in tax increment revenue. This revenue is the underlying revenue source to repay the debt obligations.

Using this Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the MD&A and notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore, the entity-wide and fund presentation information are the same.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

Statement of Net Position

The statement of net position answers the question, “How did we do financially during the year?” This statement includes all assets and liabilities, both financial and capital, and short-term and long-term debt, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Net position is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets which constraints are placed on assets by grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of net position that does not meet the definition of “Net Investment in Capital Assets” or “Restricted Net Position.”

Table 1 provides a comparison of the Port Authority’s net position for 2011 and 2012.

Table 1 - Net Position

	Restated 2011	2012
	<hr/>	<hr/>
Assets:		
Current assets	\$2,517,218	\$2,560,887
Intergovernmental receivable – long term	15,145,000	14,905,000
Depreciable capital assets, net	2,372,090	2,309,665
Total Assets	<hr/> 20,034,308	<hr/> 19,775,552
Liabilities:		
Current liabilities	324,123	345,915
Long term liabilities	15,145,000	14,905,000
Total Liabilities	<hr/> 15,469,123	<hr/> 15,250,915
Net Position:		
Restricted for Debt Service	1,717,653	1,862,622
Restricted for Capital Projects	446,313	680,680
Unrestricted	2,401,219	1,981,335
Total Net Position	<hr/> <hr/> \$4,565,185	<hr/> <hr/> \$4,524,637

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

For 2012, the Port Authority saw total assets decreased as the intergovernmental receivable was reduced by a year and capital assets had another year of depreciation. The Port Authority's debt obligations are secured by several sources that help eliminate the risk associated with not completely owning the assets which were also paid down during the year.

Table 2 compares the changes in net position for the years 2011 and 2012.

Table 2 - Changes in Net Position

	Restated 2011	2012
Operating Revenues:		
Administrative Fees	\$40,851	\$47,842
Interest and Other Revenues	78	2,103
Total Operating Revenues	<u>40,929</u>	<u>49,945</u>
Operating Expenses:		
Legal fees	95,267	91,307
Accounting	2,306	10,577
Professional Services	8,478	4,886
Other General Administration	70,554	4,969
Insurance	3,989	3,951
Depreciation	62,425	62,425
Total Operating Expenses	<u>243,019</u>	<u>178,115</u>
Operating Loss	<u>(202,090)</u>	<u>(128,170)</u>
Nonoperating Revenues (Expenses):		
Interest Revenue	116	255
Local Contributions	957,661	1,045,567
Interest Expense	(914,962)	(958,200)
Total Nonoperating Revenues (Expenses)	<u>42,815</u>	<u>87,622</u>
Change in Net Position	(159,275)	(40,548)
Net Position, Beginning of Year - Restated	<u>4,724,460</u>	<u>4,565,185</u>
Net Position, End of Year	<u><u>\$4,565,185</u></u>	<u><u>\$4,524,637</u></u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

The Port Authority saw administrative fee activity remain relatively consistent with the prior year as the Port Authority receives administrative fees on prior debt issues and reimbursement for other expenses. The Port Authority also received approximately \$8,000 in connection with the YMCA conduit financing from the Butler County Port Authority as the actual construction project occurred in Warren County but also involved refinancing of Butler County debt. The Port Authority also received an administrative fee on Federal Express Facility for construction purposes.

The Port Authority's expenses decreased as the Port Authority had some legal settlements in 2011 and received additional trust administration expenses in 2011 that did not occur in 2012.

Capital Assets

The Port Authority recognized net land improvements of \$2,309,665 as of December 31, 2012. For more information on the Port Authority's depreciable capital assets, net, see Note 4.

Debt

The Port Authority retired \$230,000 on the Cincinnati Premium Outlets public improvements bonds. For more information on the Port Authority's debt, see Note 6.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Warren County Port Authority, 406 Justice Drive, Lebanon, Ohio 45036 or by calling (513) 695-2090.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 123,969
Restricted Cash and Cash Equivalents	2,196,918
Intergovernmental Receivable	240,000
TOTAL CURRENT ASSETS	<u>2,560,887</u>

NONCURRENT ASSETS:

Intergovernmental Receivable	14,905,000
Depreciable Capital Assets, Net	2,309,665
TOTAL NONCURRENT ASSETS	<u>17,214,665</u>

TOTAL ASSETS	<u>19,775,552</u>
---------------------	-------------------

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	14,937
Accrued Interest Payable	79,073
Amounts Held for Others	11,905
Special Obligation Bonds - Due in One Year	240,000
TOTAL CURRENT LIABILITIES	<u>345,915</u>

LONG-TERM LIABILITIES:

Special Obligation Bonds	14,905,000
TOTAL LONG-TERM LIABILITIES	<u>14,905,000</u>

TOTAL LIABILITIES	<u>15,250,915</u>
--------------------------	-------------------

NET POSITION:

Restricted for Debt Service	1,862,622
Restricted for Capital Projects	680,680
Unrestricted	1,981,335
TOTAL NET POSITION	<u>\$ 4,524,637</u>

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

OPERATING REVENUES:

Administrative Fees	\$	47,842
Other Miscellaneous Revenues		2,103
		49,945
Total Operating Revenues		49,945

OPERATING EXPENSES:

Insurance		3,951
Legal Fees		91,307
Accounting		10,577
Professional Services		4,886
Other General Administration		4,969
Depreciation		62,425
		178,115
Total Operating Expenses		178,115
Operating Loss		(128,170)

NONOPERATING REVENUES (EXPENSES):

Interest Revenue		255
Local Contributions - nonoperating		1,045,567
Interest Expense		(958,200)
		87,622
Nonoperating Revenues, Net		87,622

CHANGE IN NET POSITION (40,548)

Net Position, Beginning of Year - Restated		4,565,185
Net Position, End of Year		\$ 4,524,637
		4,524,637

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash flows from operating activities:	
Cash received from customers	\$ 47,842
Cash received from SBDC Members	13,500
Cash payments to supplier for goods and services	(115,228)
Cash paid on behalf of SBDC	(1,595)
Other miscellaneous revenue	2,103
Net cash used for operating activities	<u>(53,378)</u>
Cash flows from noncapital financing activities:	
Local Contributions	<u>1,275,567</u>
Net cash provided by noncapital financing activities	<u>1,275,567</u>
Cash Flows from capital and related financing activities:	
Principal Paid on Project Improvement Bonds	(230,000)
Interest Paid on All Debt	(958,775)
Net cash used for capital and related financing activities	<u>(1,188,775)</u>
Cash flows from investing activities:	
Net Interest received	<u>255</u>
Net cash provided by investing activities	<u>255</u>
Net Increase in Cash and Cash Equivalents	33,669
Cash and cash equivalents at beginning of year	<u>2,287,218</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,320,887</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating Loss	\$ (128,170)
Depreciation	62,425
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in Accounts Payable	462
Increase in Amounts Held for Others	11,905
Net cash used for operating activities	<u><u>\$ (53,378)</u></u>

See accompanying notes to the financial statements

This page intentionally left blank

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. DESCRIPTION OF THE REPORTING ENTITY

The Warren County Port Authority (the “Port Authority”) is a body, corporate and politic, established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was established in February 2007 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Warren County. The seven voting member Board of Directors directs the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.29 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization’s government board and is able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Warren County Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port Authority’s accounting policies are described below.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all asset and all liabilities are included on the statement of net position. Equity (i.e., net position) consists of retained earnings. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Data

Ohio Revised Code Section 4582.13 requires that the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582.13 of the Ohio Revised Code.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Warren County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates fair value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash equivalents. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as certificates of deposit, are reported at cost. During fiscal year 2012, investments were limited to money market mutual funds.

Interest revenue earned during 2012 was \$255.

E. Restricted Cash/Amounts Held for Others

The Port Authority holds various deposits in trust, in accordance with the provision of its bond agreements, to fund debt service requirements and certain capital projects. The balance held in restricted cash accounts is \$2,185,013 as of December 31, 2012.

The Port Authority holds funds for a third party entity for which the Port Authority functions as the finance department. These funds are those of the third party entity and are recorded as a restricted asset and corresponding liability on the Port Authority's financial statements. The amount held by the Port Authority as of December 31, 2012, was \$11,905.

F. Capital Assets

Capital assets generally result from expenses related to construction projects. These assets are reported on the statement of net position. All capital assets are reported at cost (or estimated historical cost) and updated for additions and deletions during the year. The Port Authority capitalizes improvements related to construction projects as construction in progress. The Port Authority depreciates land improvements on a straight-line basis over a forty-year period. The Port Authority has no capital asset policy and has no other reported capital assets.

G. Intergovernmental Receivable

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. The Port Authority did have an intergovernmental receivable as of December 31, 2012, from the City of Monroe in connection with the special assessment assigned the VH Monroe project as collateral to pay the Port Authority's public improvement bonds.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions (nothing received in current year) to fund operations and administrative fees earned in connection with the projects. Operating expenses are necessary costs incurred to support the Port Authority's primary mission, including depreciation.

Nonoperating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Various state grants, local government contributions, interest income and expenses comprise the nonoperating revenues and expenses of the Port Authority.

I. Accrued Liabilities

In general, payables and accrued liabilities are reported as obligations regardless of whether they will be liquidated with current resources. Long term debt amounts are reported as a liability on the statement of net position.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and net of related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Subsequent Events

The Port Authority has evaluated subsequent events for potential recognition and disclosure through July 28, 2014, the date the financial statements were available to be issued.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority as active deposits which are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Deposits

At fiscal year end, the carrying value of the Port Authority’s deposits was \$135,874 and the bank balance was \$137,538. All of the Port Authority’s deposits were insured by federal depository insurance.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2012, the Port Authority had the following investments:

Categorized Investments	Less than One	Credit
Money Market Mutual Funds	\$2,185,013	S&P –

Interest Rate Risk - The Port Authority has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Port Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port Authority has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk - The Port Authority places no limit on the amount it may invest in any one issuer. The Port Authority has all of its investments in Money Market Mutual funds due to the current interest rate environment. This is the only investment of the Port Authority greater than five percent.

4. CAPITAL ASSETS

A summary of the changes in capital assets during the year ended December 31, 2012, follows:

	Balance 12/31/2011	Increases	Decreases	Balance 12/31/2012
Capital Assets, being depreciated				
Land Improvements – Retention Pond	\$2,496,940	\$0	\$0	\$2,496,940
Accumulated Depreciation	(124,850)	(62,425)	0	(187,275)
Total Capital Assets	<u>\$2,372,090</u>	<u>(\$62,425)</u>	<u>\$0</u>	<u>\$2,309,665</u>

5. RISK MANAGEMENT

The Port Authority is covered by public official liability insurance with Darwin Select Insurance Company. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure.

6. LONG TERM OBLIGATIONS

A summary of the changes in long-term obligations during the year ended December 31, 2012, follows:

	Balance 12/31/2011	Increase	Decrease	Balance 12/31/2012	Due within one year
Project Improvement Bonds	\$10,000,000	\$0	\$0	\$10,000,000	\$0
Special Obligations Bonds	5,375,000	0	230,000	5,145,000	240,000
Total	<u>\$15,375,000</u>	<u>\$0</u>	<u>\$230,000</u>	<u>\$15,145,000</u>	<u>\$240,000</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

6. LONG TERM OBLIGATIONS (continued)

The project improvement bonds were issued at an interest rate between 7.00 and 7.50 percent on September 24, 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development. The special obligation bonds were issued at an interest rate between 3.00 and 5.125 percent on May 27, 2009. The debt was issued for the purpose of constructing street improvements around a new retail development in the western portion of Warren County. The following are schedules of future debt service requirements to maturity as of December 31, 2012.

<u>Project Improvement Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$0	\$724,575	\$724,575
2014	0	724,575	724,575
2015	0	724,575	724,575
2016	0	724,575	724,575
2017	0	724,575	724,575
2018-2022	1,855,000	3,381,375	5,236,375
2023-2027	2,595,000	2,633,775	5,228,775
2028-2032	3,670,000	1,566,200	5,236,200
2033-2034	1,880,000	214,125	2,094,125
Totals	<u>\$10,000,000</u>	<u>\$11,418,350</u>	<u>\$21,418,350</u>

<u>Special Obligation Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$240,000	\$224,300	\$464,300
2014	245,000	217,100	462,100
2015	255,000	209,136	464,136
2016	260,000	200,212	460,212
2017	270,000	190,462	460,462
2018-2022	1,525,000	782,614	2,307,614
2023-2027	1,910,000	404,042	2,314,042
2028	440,000	22,550	462,550
Totals	<u>\$5,145,000</u>	<u>\$2,250,416</u>	<u>\$7,395,416</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. PROJECTS

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe to partner with the parties to provide assistance to the project through a special assessment note and bond issuance that occurred in 2008. The VH Monroe project will provide for large commercial/industrial development on the western edge of Warren County in the City of Monroe. The VH Monroe project is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority's role was necessary to help move this project forward allowing the retention pond and some other public infrastructure to be completed by the developer. The project is located in a tax increment financing district and CRA area for the City of Monroe. The City of Monroe has pledged the special assessment receipts as part of the collateral to pay the Port Authority's future debt service obligations. Based on an initial analysis done, the Port Authority is expected to receive \$15,145,000 in contributions from the City of Monroe for this project from those receipts. The intergovernmental receivable will be reduced by the annual payments although the special assessment receipts could vary since they are certified annually based on expected payments in lieu of taxes for each year.

Cincinnati Premium Outlets

The Port Authority has worked with the City of Monroe and Chelsea Properties to provide financing on the local infrastructure improvements around the Cincinnati Premium Outlets Center (the "Center") and some of the connecting roadways. The Center opened in the fall of 2009 and has provided Warren County with substantial new retail development for the area. The Center is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority's role was necessary to help finance the project as the City of Monroe had implemented a special assessment for the project and needed the Port Authority to issue the debt for the project. The project was backed financially by tax increment financing, then the special assessment payments and then the general obligation of the City of Monroe.

E-Beam Services

The Port Authority worked with E-Beam Services to help facilitate the use of economic recovery zone facility bonds for the building expansion and related equipment needs. The conduit debt financing closed on August 31, 2010, for \$6,500,000, with \$6,090,000 outstanding as of December 31, 2012. The project is completely backed and secured through E-Beam Services and merely reported as a conduit debt issued through the Port Authority.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. PROJECTS

Setzer Properties LLC (Federal Express)

During 2012, the Port Authority worked with Setzer Properties LLC (Setzer) to facilitate the construction and equipping of a 178,000 square foot distribution facility to be located in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Setzer, under which Setzer is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Setzer. Under this lease, Setzer will make rental payments of \$4,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Additionally, Setzer will continue to be responsible for all maintenance and upkeep on the facilities, As a result, Setzer will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

8. INTERGOVERNMENTAL RECEIVABLE

In closing projects relating to the VH Monroe and Chelsea Properties, and City of Monroe, via various agreements, implicitly guaranteed the \$15,600,000 in project improvements and special obligations held by the Port Authority, resulting in a due from the City of Monroe receivable for a corresponding amount. The balance due from the City of Monroe as of December 31, 2012, was \$15,145,000.

9. CHANGE IN ACCOUNTING PRINCIPLE

The Port Authority implemented GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year. The implementation of GASB No. 62 and No. 63 had no impact on net position. The implementation of GASB No. 65 removed the issuance costs reported on the statement of net position as those items, other than prepaid insurance, are considered current period costs. The change in accounting principles had the following impact on beginning net position:

Net Position at 12/31/11 as previously reported	\$5,126,886
Implementation of GASB pronouncement	(561,701)
Restated Net Position at 01/01/12	<u>\$4,565,185</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

10. SUBSEQUENT EVENTS

During the normal course of business, the Port Authority has entered into various agreements with private developers and other organizations to foster economic development within Warren County and the surrounding region. The most significant of these agreements is the agreement with Miami Valley Gaming LLC for the construction of a Racino in Warren County, which was entered into in March 2013. As part of this agreement, the Port Authority received an upfront payment of \$800,000 from Miami Valley Gaming LLC. This amount will be recognized as revenue by the Port Authority over the life of the agreement.

During 2014, the Port Authority worked with the Ralph J. Stolle Countryside YMCA of Warren County for repayment of the existing loan and additional renovations to the YMCA. The conduit debt financing closed on June 30, 2014, for \$8,800,000. The project is completely backed and secured through Ralph J. Stolle Countryside YMCA of Warren County and merely reported as a conduit debt issued through the Port Authority.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

**REPORT ON INTERNAL
CONTROL AND COMPLIANCE**

December 31, 2012

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1/2
Schedule of Findings and Responses	3
Schedule of Prior Audit Findings	4

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Warren County Port Authority
Warren County, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Warren County Port Authority (the Port Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Warren County Port Authority's basic financial statements, and have issued our report thereon dated July 28, 2014, in which it is noted that the Port Authority adopted the provisions of Governmental Accounting Standards Board Statements No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warren County Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warren County Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Warren County Port Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Joseph Decossimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio

July 28, 2014

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2012

None Reported.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2011-01	The Port Authority did not properly certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance., in accordance with Ohio Revised Code, §5705.41(D)(1).	Yes	



Dave Yost • Auditor of State

WARREN COUNTY PORT AUTHORITY

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**